

Chief Under Fire: Head of the Navajo Reservation Faces Questions About Self-Dealing and Favoritism

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sine for a trip to a corporate boardroom, resplendent in an impeccably tailored pinstripe suit and buttoned-down shirt.

Mr. MacDonald generated new revenue by helping the tribe win the right to tax companies doing business on the reservation. His development drive has brought some new companies to the reservation. And voter registration drives have helped make Navajos a political power in Arizona and New Mexico (the reservation also extends into Utah).

But along the way there have been the incidents of friends and associates of the chairman profiting from the tribe. And questions about accepting improper payments to him have dogged Mr. MacDonald for years, although he vehemently denies ever asking for or receiving any.

In 1977 Mr. MacDonald was tried in a Phoenix federal court for fraud and filing a false tax return in connection with thousands of dollars he allegedly received from an Arizona utility. Two officials of an air-charter service testified about preparing false travel billings to mask the payments. One testified he delivered a pile of hundred-dollar bills to Mr. MacDonald.

But the testimony was hazy and contradictory. Cross examination by Mr. MacDonald's attorney, F. Lee Bailey (a last-minute replacement for Edward Bennett Williams), badly damaged their credibility. When jurors deadlocked, the judge dismissed all charges.

Audit of a Contract

That same year, an audit of a clothing-supply contract the tribe had with Henry Hillson Co. (conducted for new owners of Hillson) concluded that Hillson had been paying "gratuities" to tribal officials in the form of cash, cars or clothing. The audit report included copies of two checks, totaling nearly \$2,000, with notations indicating that they went to Mr. MacDonald. No court action was filed, and Mr. MacDonald says he never heard of the audit and never took any money.

The tribe's group insurance business has been a continuing source of money for Mr. MacDonald and his friends. While he was Navajo chairman in the mid-1970s, Mr. MacDonald became president and co-owner of Denay Insurance, a broker. Records filed with the state of Arizona show Denay's assets rose from less than \$40,000 in 1975 to \$500,000—mostly cash—by 1980.

The firm had at least one good customer: the Navajo nation. Mr. MacDonald denies any conflict, because he "never asked anyone" to use Denay. He adds, "I would bet my whole year's paycheck" that Denay provided the lowest cost and best service available.

When the Zah administration later put the insurance business out for bids, the tribe's annual premiums fell to \$703,000 from \$848,000, according to the broker that won the business. (Denay last year had its charter revoked in Arizona for failure to file an annual report.)



After Mr. MacDonald returned to office in 1987, the tribe switched to Johnson & Higgins, a large and respected insurance agency, to be its broker. The tribe's property-and-casualty insurance premiums through Johnson & Higgins cost about \$2 million a year. The broker used during the Zah administration offered similar coverage for \$1.5 million, a deal so good that even Johnson & Higgins recommended the tribe consider taking it. But the tribe said it was unhappy with the performance of the previous broker.

At the tribe's request, Johnson & Higgins hired a Phoenix insurance agency, Inbanco Inc., as a consultant on the Navajo account at an annual cost to the tribe of about \$100,000. What does Inbanco do for its fee? For one thing, says James Mullen, a Johnson & Higgins account executive, Inbanco president Larry B. Ward is the firm's liaison with Mr. MacDonald. "Mr. Ward talks to Mr. MacDonald on many areas," he adds.

One topic may be the home that Mr. MacDonald rents on the reservation from Mr. Ward. Neither man sees any problem with this. "He is paying a fair-market rent," says Mr. Ward, who describes Mr. MacDonald as a "personal friend."

The two men became acquainted during the 1970s, when Inbanco handled the tribe's health and medical insurance business. Mr. Zah's administration dropped Inbanco after an outside review by Advanced Risk Management Techniques, a consulting firm employed by the Zah administration, concluded that the firm's commission rate was several times the industry norm—a difference that was costing the tribe about \$200,000 a year.

Reason for Rates

Mr. Ward says that past Inbanco commissions reflected the cost of maintaining a claims office on the reservation, which improved service and limited premium rises. "If I was pocketing so much money, I'd be in Tahiti," he adds.

Investigators from the Federal Bureau of Investigation and other federal agencies are currently looking at a more recent expenditure of tribal funds. The tribe recently bought a huge Arizona ranch for \$33.4 million. The seller's agent was Byron

"Bud" Brown, another longtime friend of Mr. MacDonald. Mr. Brown's group bought the ranch for \$26.2 million in a transaction recorded only five minutes before the sale to the Navajos for \$7.2 million more, county land documents say.

The tribal appraiser assigned to evaluate the property believed the Navajos were overpaying by as much as several million dollars but was ordered by his superior to raise his estimate, says Robert Pencall, a former official of the Bureau of Indian Affairs who spoke with the appraiser. A second person familiar with the transaction confirms Mr. Pencall's story. The tribal appraiser declines to comment, and his superior denies making such a demand.

Just before the transaction was closed, bureau officials discovered the land had been on the market for about two years at an asking price in the range of \$25 million. They told the tribe, to no avail.

Room to Expand

Mr. MacDonald and other tribal officials maintain that the tribe got a good deal and they say the ranch, despite being about a 100-mile drive from the reservation boundary, gives the Navajos much-needed room to expand.

Mr. Brown, the middleman in the ranch sale, allegedly also figured in another tribal business matter. While trying to interest the tribe in a health-care plan last year, Phoenix insurance broker William Gold says he was introduced to Mr. Brown. He says that Mr. Brown told him that Mr. MacDonald probably would like the health-care proposal—under certain conditions.

The price charged the tribe would have to be raised "to pay the chairman," Mr. Gold says he was told. Mr. Gold says he balked and an agreement was never reached. Mr. Gold and others say they have been interviewed by federal agents as part of the grand-jury investigation into the ranch purchase.

Mr. Brown declines to comment. However, his attorney says his client "has done nothing improper or illegal."

'Making Ends Meet'

Though his critics believe Mr. MacDonald is wealthy, the chairman, whose annual salary is \$55,000, says he is just "making ends meet from month to month like anybody else."

Local journalists say Mr. MacDonald during his last election campaign issued a press release indicating that he would make his tax returns public, but the chairman says he doesn't recall that promise and isn't willing to do so. The tribe also declines to release the chairman's financial disclosure forms.

However, it appears much of Mr. MacDonald's salary would be eaten up just by rent for his home on the reservation, the interest on a roughly \$185,000 mortgage on a home he owns in Flagstaff, Ariz. and the cost of putting two of his five children through private schools. A tribal spokeswoman says Mr. MacDonald saved money